



Some Facts Relevant to America's Creative Economy National Creativity Network, October 10, 2013¹

Nationally

- The U.S. Bureau of Economic Analysis on July 31, 2013 recalculated US gross domestic product (GDP) for every year going back to 1929 when its first tables were published. It employed a new formulation that for the first time reclassified research and development (R & D) as an investment rather than an expense AND counted intellectual property (IP) in the form of original works of arts such as films, music, books, and patents as long-lived assets (which formerly were completely ignored). **This resulted in measured GDP getting a one-time increase of 2.7%.** Henceforth, it will now be included in all calculations of GDP. **This means selected aspects of America's creative economy are now being directly measured in GDP calculations for the first time.**
- **The importance of creativity and imagination (C-I) are now being highlighted as essential skills for the 21st century high school and college graduate and employees in the workforce.** Selected examples of such an emphasis include the OECD 21st Century Skills and Competencies Survey (2009) which made C-I one of 16 essential skills surveyed in 34 nations; What is Career Ready? from the Association for Career and Technical Education (2010) which made C-I one of 11 essential skills; the 21st Century Skills Report (2010) which named C-I as one of nine essential skills; and the 2012 report of the National Research Council on Education for Life and Work (National Academy Press) which named C-I as an essential part of "deep learning" that is needed to thoroughly equip students for life, work, and living in the 21st century.

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- The 2012 Creative Industries summary from Americans for the Arts found that in January of 2012 there were 905,689 businesses involved in the creation or distribution of the arts employing 3.35 million Americans. **Arts-related businesses comprised 4.42% of all businesses in America and employed 2.15% of all workers. Arts goods represented a \$64 billion export industry in the USA in 2010, a figure that compares quite favorably to other exports such as food (\$51.9 billion), pharmaceuticals (\$34.4 billion), and aircraft (\$77.5 billion).** [It is also important to keep in mind that arts-related businesses are but a portion of the overall creative economy.]
- In 2002, according to The Economic Contribution of Copyright-Based Industries in the USA, World Intellectual Property Office (2004), the “core” copyright industry, including publishing and journals, contributed \$626.6 billion to the US economy, representing 6% of GDP and employed 5.48 million Americans representing 4% of the workforce. The “total” copyright industry which includes paper manufacturers, generated \$1.25 trillion or 12% of the US economy and employed 11.47 million Americans or 8.4% of the workforce. Its total size compared favorably with the entire health care and social assistance sector (15.3 million workers) and the entire U.S. manufacturing sector (14.5 million). The more recent Copyright Industries in the U.S. Economy, International Intellectual Property Alliance (2011) report documented **the continuing importance of this one sector of the creative economy** with the “core” copyright industries contributing \$931 billion to the US economy in 2010 (6.4% of GDP) and employing 5.1 million workers whose jobs paid an average 27% more than the rest of the workforce. Its \$134 billion in international sales and exports in 2010 surpassed pharmaceuticals (\$36.4 billion), aircraft (\$77.5 billion), agriculture (\$60.2 billion), and food (\$51.9 billion). The “total” copyright industries contributed \$1.627 trillion to the US economy in 2010 representing 11.10% of GDP and employing 10.6 million workers (comprising 8.19% of all workers; their average pay exceeded by 15% the US average).
- **It is clear from just the figures reported here that the creative economy is an important component of the broader US economy and accounts for a proportion of jobs, salaries, sales, and exports that compares quite favorably with many other well-understood, commonly supported, and frequently defended sectors of the US economy.** The Nobel prize winning economist

Joseph Steiglitz in “The book of jobs” (Vanity Fair, January 2012) argued that it is this portion of the US economy where the US should make long-term investments given the power of ideas-based creation, invention, and innovation to generate wealth and jobs in today’s global economy.

Regionally (these data points are all taken from reports that were part of the *America's Creative Economy* study (2013) whose key findings are summarized below)

- South Arts in its 2009 study of the creative economy in nine Southern states calculated that there are 82,852 establishments involved in the creative industries in these states employing 1.1 million workers, generating \$41.1 billion in annual payroll, and \$142.6 billion in annual revenues. This represents 5.5% of all enterprises in the South, 4.1% of all employment, 3.9% of all payroll, and 2.9% of all industry revenue. **The creative industries in the South are the 4th largest industry cluster, 5th largest employer, and 8th largest wage generator.** Creative nonprofits alone account for 17,155 organizations with over \$3.6 billion in revenues and assets of \$9.4 billion.
- New York City in its 2005 study of the creative economy calculated that it accounted for 5.7% of all establishments in the five boroughs, employing 309,142 people which represented 8.1% of the city's workforce. **A total of 8.3% of all creative sector workers in America were in NYC and 28% of them were self-employed. It is important to note that these "self-employed" creatives are frequently undercounted or missed entirely in standard economic studies of regional economies and thus creative industries are disproportionately underrepresented in many calculations of their economic contributions to local, regional, and national economies.** Another major creative hub, Los Angeles County (2012), found that 1 in 8 jobs were found in creative industries and that arts, design and entertainment was the 4th largest group out of 66 industry clusters in the county. **The creative industries accounted for annual revenues in 2011 of \$230 billion and the report called for greater investment in this thriving industry sector.**
- North Carolina (2010) calculated that in 2009, creative industries accounted for 5.5% of the total NC workforce, 5.31% of GDP, and generated a market value of goods and services totaling \$41 billion, representing 5.86% of total production. **The average creative worker earned \$59,200 a year versus the statewide average of \$36,697. Similar differentials in favor of creative industry workers have been reported in diverse studies elsewhere including Oklahoma (2011) and Montgomery County, PA (2012).**

- **Jobs in the creative industries are growing at a healthy pace in many regional economies** including Oklahoma (2011) which saw a 6% increase from 2001-2006 versus 3.9% in other industries, Philadelphia (2012) which reported a healthy 6.3% increase over the past ten years, Hawaii (2012) which witnessed a 13.8% increase from 2001 to 2011, and Houston (2012) whose creative jobs grew by 8% between 2001-2011.
- Philadelphia (2012) found that 1 in every 15 jobs in the city were creative industry jobs with a \$5 billion direct economic impact and a \$2.7 billion indirect impact. **A more detailed look at 345 arts and culture organizations in the city and their respective financials revealed a \$3.3 billion economic impact generating \$169 million in tax revenue and \$1.04 billion in household income.** The vital importance of the creative industries to tourism, company registration, retention of young people and families in the city, and start-ups has not been lost on William Penn's successors.
- **Cities and metropolitan areas across America are reporting robust growth and eye-popping revenues generated by local creative industries.** Columbus and central Ohio (2007, 2009) found its creative industries generate \$3 billion annually in total business receipts. A study in Boston (2002) over a decade ago found creative industries contributing \$10.7 billion (7.8% of total economic output) and \$2.6 billion in personal income within the region as a whole as well as 29,000 direct jobs accounting for 5.5% of total private sector employment (and once again not counting the self-employed). At that time it made the creative industries the 7th largest industry sector, ranking ahead of manufacturing, wholesale trade, retail trade, and construction. Washington, DC (2009) found that creative industries account for 75,000 direct jobs representing 10% of the city's employment base and 12% of its private employment. These industries generate \$5 billion per year. Charleston, SC and its surrounding MSA (2010) found creative industries one of the top five industry clusters in the local economy, generating \$1.4 billion in gross sales and representing 3% of the regional economy and employing more people than transportation and logistics, IT and telecommunications, defense and security, agribusiness, and many other sectors traditionally recognized as part of the local economy. Milwaukee (2011) documented 66,707 local jobs in the creative industries representing 4.2% of all city jobs spread among 4,000 businesses that paid \$2 billion in wages alone in 2010. San Antonio (2011) reported an 11.6% rise in economic output of its creative industries since 2006, rising to \$4.6 billion and employing almost 30,000

workers and paying wages of \$1.1 billion (42% of which were self-employed). Their Texas sister city, Houston (2012) found 146,000 creative industry employees whose businesses generated \$9.1 billion. Their detailed study also uncovered that there was unmet “local” demand for creative goods and services in the city as residents spent \$20.53 billion in 2011 for creative goods and services of which only \$10.77 billion was supplied by local vendors. This suggests that there is yet more room for local creative industries to expand their supply to better satisfy local consumer demand.

- Colorado (2008) discovered from 2000 census data that it had concentrations of architects, artists, designers, writers and authors, photographers, producers, directors, and musicians that placed it in the top 10 states in every single category. Further it found that its creative industries added \$5 billion to the state’s economy, represented 4% of the total workforce, and were the 5th largest key industry cluster in the state just ahead of defense and security, agribusiness, and education and knowledge creation. Similarly, Arkansas (2009), found that creative industries accounted for more employees and economic impact than the forest industry or transportation manufacturing – two areas traditionally recognized in their state. Hawaii (2012), which has been carefully tracking its creative industries for some years, found 47,264 jobs in 2011 spread among 3,260 businesses across the islands that generated \$3.8 billion in GDP (5.6% of the economy’s total).

Key Findings of the *America’s Creative Economy* (2013) report:

- The strongest motivations for doing this profiling work across the 27 study participants from around the nation were: 1) understanding the breadth and depth of the economic value of their creative economy and comparing that with their other local industry sectors, and 2) increasing recognition for the legitimate economic contributions of the creative economy.
- The language definition of the creative economy commonly involved both individuals and entities whom engage in activities that add value to society in one or more ways through the provision of goods and services that are linked to human creativity through the process of ideation, creation, production, distribution, and use.

- A case for a national data definition of the creative economy can begin to be constructed.
 - The measurement data most commonly used for counting creative enterprises was the North American Industry Classification System (NAICS) codes. The number of NAICS codes used by 50% or more of the participants numbered 70 out of 264 total NAICS codes used across the study.
 - The measurement data most commonly used for counting creative occupations was the Standard Occupational Classification codes (SOC). The number of SOC codes used by 50% or more of the participants numbered 47 out of 187 total SOC codes used across the study.
- Critical next steps include a) conducting more research to understand the full picture of the nonprofit arts within creative economy analysis; b) convening practitioners and researchers to discuss findings in detail and explore criteria for common ground, and c) determining how this research can better inform the health and growth of the creative economy.